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IN THE

Supreme Court of the United States

October Term, 1946

No. 680

CHAMPION SPARK PLUG COMPANY,
a corporation,

Petitioner,

vs.

PETER SANDERS, SAMUEL SANDERS and
HARRY SANDERS, doing business as
THE PERFECT RECONDITION SPARK
PLUG COMPANY,

Respondents.

BRIEF ON BEHALF OF CHAMPION SPARK PLUG COMPANY.

SAMUEL E. DARBY, JR.,
Chrysler Building,
New York, N. Y.,
Counsel for Petitioner.

WILBER OWEN,
CARL F. SCHAFFER,
Nicholas Building,
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BRIEF ON BEHALF OF CHAMPION SPARK PLUG COMPANY.

This case is here on writ of certiorari issued to the Circuit Court of Appeals for the Second Circuit.

The case comprises a suit for infringement of petitioner's trade-mark CHAMPION for spark plugs, for unfair competition in trade, and for an accounting. Both the District Court and the Circuit Court of Appeals found respondents guilty of trade-mark infringement. The Court of Appeals also found respondents guilty of unfair competition, the District Court having refrained from passing on that question. Both courts denied an accounting.

THE OPINIONS BELOW

The opinion of the District Court on final hearing is reported at 61 F. Supp. 247 and is printed in the record beginning at page 513. An earlier opinion of that Court on Motion for Preliminary Injunction is reported at 56 F. Supp. 782, and is printed beginning page 491 of the record.

The opinion of the Circuit Court of Appeals, filed July 10, 1946, appears in the record at pages 577 *et seq.* and is reported in 156 Fed. (2d) at page 488. Supplemental opinions of the same Court on petition for rehearing, not yet reported, appear in the record at pages 601 and 603.

CONFLICTING OPINIONS

In 1941 the Eighth Circuit Court of Appeals on a similar record (*Champion Spark Plug Company v. Reich,* 121 F. (2d) 769) reached the same conclusion as the Court of Appeals in this case on the questions of trade-mark infringement and unfair competition, but differed radically on the form and extent of the relief granted to petitioner.

Both cases involved the right of so-called reconditioners of used spark plugs of petitioner's original manufacture to return them to the retail market for resale to motorists, still bearing the CHAMPION trade-mark and type numbers, *which plugs had been so altered in a number of mechanical and functional features* that the trial court in each case *found as a fact* that such "reconditioned" plugs were no longer CHAMPION plugs as that term is used by petitioner and known to the motoring public, and *that they could not truthfully be referred to as CHAMPION plugs, nor as CHAMPION plugs of the type originally marked thereon by petitioner.*

The CHAMPION spark plug is *"a precision device"* (R. 514), and is scientifically designed to meet the particular physical requirements of each motor in which it is to be used. As a result, CHAMPION plugs differ from each other in

physical respects, such as gap dimensions, positioning of electrodes, shape and size of ceramic insulator, etc., so as to afford maximum efficiency of the motor in which they are placed. Accordingly, each of the more than seventy different CHAMPION plugs is given a distinct type number or mark.

In the Reich case the Court of Appeals required defendant to remove the CHAMPION trade-mark and type marks from his plugs and to refrain from printing them on the cartons and containers for such plugs.[1] (121 F. (2d) 774.)

In the instant case the District Court followed the decision of the Court of Appeals in the Reich case in these respects, but on appeal by respondents the judgment was so modified as to permit them to retain the CHAMPION trade-mark and type marks on their altered plugs and to print them on their packages and in their advertising material. (R. 577, 601, 603.)

In the *Reich* case this Court denied a petition for writ of certiorari filed on behalf of defendant Reich. (314 U. S. 669; No. 587, October 20, 1941.)

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[1] In an earlier case involving similar facts (*Champion Spark Plug Co. vs. Emener*, 16 F. Supp. 816), the United States District Court at Detroit found defendant guilty of trade-mark infringement and unfair competition and required him to remove all of plaintiff's trade-marks and type marks, stamp the word USED on the plugs, and paint the shells red.

It is self evident that the purpose and intended effect of altering the color of the reconditioned spark plug from that of the new spark plug was to warn the purchaser that there was something unusual about the plug, which warranted closer examination or inspection.

In two still earlier cases where defendants closely imitated the design and appearance of a widely used CHAMPION plug and marketed them *under their own trade-marks*, the trial court (Judge Learned Hand) required defendants to "change the color of the shell and bushing nut, and of the porcelain, so as to distinguish their appearance." *Champion Spark Plug Co. v. A. R. Mosler & Co.* and *Same v. Benford Mfg. Co.*, 233 Fed. 112, 117.

JURISDICTION OF THIS COURT

This suit arises in part under the Trade-Mark Laws of the United States, Judicial Code Sec. 24-(7); 28 U.S.C., Sec. 41-(7).

The jurisdiction of this Court is invoked under Section 240-(a) of the Judicial Code, as amended by Act of February 13, 1925 (28 U.S.C. 347-(a)).

The opinion of the Circuit Court of Appeals herein was filed July 10, 1946, whereby it modified the judgment of the District Court so as to permit respondents to retain petitioner's trade-mark and type marks on their altered plugs. (R. 577.) Rehearing was granted on motion of respondents and on September 25 and October 18 the Court filed *per curiam* opinions further modifying the judgment of the District Court so as to permit respondents to print petitioner's trade-mark and type marks on their packages and to use them in their advertising matter. (R. 601, 603.)

STATEMENT OF THE CASE

Petitioner is the owner of the trade-mark CHAMPION for spark plugs, registered in the United States Patent Office on April 25, 1913, as Certificate No. 92,950, and renewed April 11, 1933. (R. 29, 30.)

During the thirty five years prior to the filing of the complaint, petitioner and its predecessors had applied the trade-mark CHAMPION to approximately one billion spark plugs, and had expended nearly $20,000,000.00 in advertising the merits of their product.

The trade-mark and type mark always have been applied to that portion of the ceramic insulator of the spark plug which is exposed to view when the plug is installed in a motor, and they also have been displayed on the cartons and containers in which the plugs are packed for sale to the trade and the motoring public, and in advertising matter. (See Physical Exhibits 5, 6 and 7.)

The principal functional features of CHAMPION spark plugs are located in the end which is inserted in the motor cylinder when the plug is in place for use, commonly called the "firing end." Fact Finding No. 5 of the District Court (R. 520) enumerates seven of these features, any substantial change in the dimensions of any one of which may materially affect the efficiency of the plug when operating in a motor.[2]

These seven features are—

(1) the shape of the firing end of the insulator, commonly called the "semi-petticoat end";

(2) the shapes of the adjacent faces of the center and side electrodes where they approach each other to form the "gap";

(3) the mass of insulating material between the firing end thereof and the point where the insulator is seated on the metal shell, which largely governs the heat range of the plug;

(4) the distance between the center and side electrodes at the point where the spark is formed, commonly called the "spark gap";

(5) the distance from the end of the insulator to the end of the center electrode;

(6) the distance from the end of the insulator to the end of the metal shell; and

(7) the distance from the end of the metal shell to the end of the center electrode.

Each variation in these dimensions, which in the opinion of petitioner's engineering department is sufficient to materially affect the operation of the plugs in a motor, requires a different type mark or number, which is printed on the insulators of the plugs (imediately below the trade-mark), on the cartons and containers in which the plugs are packed for sale, and in advertising matter.

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[2] A copy of Exhibit 10, indicating each of these seven features by number, is bound in at the end of this brief (p 51). The ceramic insulator is colored yellow. The center electrode (red) extends throughout the length of the insulator and carries the current, which jumps across the "gap" to or from the side electrode (blue) and creates the spark which ignites the charge of fuel. All these parts are carried by a metal shell (green) which is provided with screw threads for securing the plug in the wall of a motor cylinder.

Importance of Accurate Firing End Dimensions

Petitioner manufactures a CHAMPION spark plug especially designed for each internal combustion engine, and in order to meet the requirements of the many different types of motors in common use it has for many years manufactured CHAMPION plugs in more than seventy different types.

Each type of CHAMPION plug is manufactured to a dimensional drawing and specifications, prepared by petitioner's engineering department after exhaustive tests have been conducted by its engineers in cooperation with the engineering departments of the various motor car manufacturers.[3] (R. 155-6.) Experience has shown that a change of even less than 1/32 (thirty-one thousandths) of an inch in the length of the center electrode may materially affect the efficiency and economy of motors in which the plugs are installed. (R. 164-167.)

The trial court found as a fact that many types of CHAMPION plugs differ from each other only in slight variations in one or more of the dimensions above enumerated, and that in some instances changes of less than 1/32 of an inch in the projection of the center electrode beyond the metal shell and a corresponding bend in the side electrode have made CHAMPION plugs acceptable by the engineering departments of motor car manufacturers for use as factory equipment in their cars after the same plug without such change had been rejected. (Finding 7, R. 521.)

From this it will be seen that most exact dimensional accuracy is required for maximum efficiency for the plugs in use; and it will be realized that the good will of petitioner,

---

(3) Exhibits 15-A and 21 (R. 467-468) are copies of the drawings to which the No. 7 and No. 7 Commercial types are manufactured. In the No. 7 the center electrode projects beyond the shell .036", with tolerances of +.005" and —.000", whereas in the other plug this projection is 1/16 of an inch (.625), with the same tolerances. The gaps are the same, but the electrode wire in the No. 7 Commercial is slightly larger than in the No. 7. The No. 7 plug is recommended by petitioner for use in a number of pleasure cars whereas the No. 7 Commercial is recommended for use only in commercial vehicles. (See Exhibit 14, page 6.)

built upon its trade-mark, is dependent upon the maximum efficiency that the using public has obtained, and is entitled to believe it will continue to obtain, from CHAMPION plugs because of their dimensional accuracy.

How Respondents Acquire and Treat Their Spark Plugs

It is common practice for motorists to have their worn and damaged spark plugs replaced at garages and service stations, where the old plugs are discarded without any allowance on the price of new plugs. These discarded plugs accumulate without expense to the operators of garages and service stations, and respondents acquire them from junk collectors at a cost of a few cents each.

Such of these plugs as respondents or their employees consider to be unfit for further service are discarded. The others are subjected to so called "reconditioning" operations, which include the removal of worn portions of the electrodes (and in many instances the removal of the entire side electrode and its replacement by a side electrode of different material), the sandblasting of the firing end of the ceramic insulator to remove accumulations of grease and burned carbon and which also removes a portion of the insulator itself, the removal of rust from the metal parts and the painting of such parts with fresh black paint. (Fact Findings 8 and 9, R. 522.)

Changes Undergone by Respondents' Plugs Subsequent to Their Sale by Petitioner

Four boxes of spark plugs, which were sold by respondents over the counter at their place of business in Brooklyn when Champion spark plugs were called for, are in evidence as Exhibits 1 to 4. Each of these boxes contains ten plugs. The plugs in the box marked Exhibit 1 were sold when Champion H-10 plugs were called for, and the other three boxes were

sold when Champion No. 7 plugs were called for. (Finding 14, R. 522.)[4]

Each of these forty plugs carries the CHAMPION trade-mark and type mark which petitioner stamped thereon when it was manufactured, and on an end of each of the cartons and containers respondents have stamped the name CHAMPION and the type mark "H-10" or "7".

Accurate measurements of the firing ends of these forty plugs were taken soon after they were sold by respondents and are shown in Sibley's reports, Physical Exhibits 16, 16-A, 16-B and 16-C. Some of the changes are specified in Fact Findings 11, 12 and 15. Finding 11 is in part as follows (R. 523):

> "Each of defendants' forty plugs in evidence as Exhibits 1, 2, 3 and 4 has been changed to such an extent since it was manufactured and sold by plaintiff that it no longer responds to plaintiff's manufacturing specifications and drawing for such plugs in several of the features enumerated in fact finding number (5). The semi-petticoat end of the insulator has been completely destroyed in thirty-three of the forty plugs and partially destroyed in the other seven; the relation of the side wire to the center wire is wrong in all forty plugs; a substantial portion of the insulating material has been removed from the firing end of each of the forty plugs; of the 160 dimensions (4 for each plug) specified as Nos. 4, 5, 6 and 7 in fact finding No. (5) only 49 comply with the drawings and specifications under which said plugs were manufactured by plaintiff, and in none of said plugs do all of said dimensions comply with plaintiff's drawings and specifications."[5]

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(4) The box sold as Champion H-10 plugs contained one J-8 type plug (which was designed and recommended by petitioner for use in cars other than those for which the H-10 type was designed and recommended) and the three boxes sold as Champion No. 7 plugs contained five No. 7 Commercial type plugs (which petitioner designed and recommended for use only in commercial vehicles.)

(5) Physical Exhibit 18 is a chart showing the changes which some of the plugs in each of Exhibits 1, 2, 3 and 4 have undergone since they were manufactured. The left hand column shows the plug as it was manufactured and the other columns show by comparison the firing end of respondents' exhibit plugs. The correctness of the drawings on this exhibit is not questioned. Reductions of this exhibit are bound in at the end of this brief (p. 52).

Steps in the "reconditioning" process followed by respondents include the removal of the burned portion at the end of the center electrode, and rebending the side electrode to form the gap. The burned end of the center electrode is removed by filing, the amount of material removed being dependent upon the condition of the electrode. One of the respondents, Samuel Sanders, testified that they file off enough of the burned portion of the center electrode to make it flat on the end. (R. 429.) How much they remove depends upon the extent to which the electrode has been burned.

Fact Finding 12 is that in many of respondents' plugs in evidence "the center electrode is more than 1/32 of an inch (.0312") shorter than it was when said plugs were manufactured and sold by plaintiff." Sibley's measurements of respondents' plugs showed that the center electrodes had been shortened more than 1/32 inch in many of them and in several of them as much as from .065" to .070".

Effect of Shortening Center Electrode

Changing the length of the center electrode affects the operation of the plug in two ways—it changes the location of the spark in the motor cylinder and it affects the heat range of the plug. (R. 270.) Operating at high speed each spark plug delivers approximately 1,500 sparks per minute—hence the importance of delivering the sparks at the precise point in the motor cylinder which will produce the most rapid burning of the fuel charge. (R. 163.) As the gases enter the cylinder, stratification occurs and it is important that the sparks be delivered at the point where flame propagation is most rapid, otherwise pinging and detonation result. (R. 257.) Additionally, a sluggish engine may result unless the spark occurs at a proper point in the path of the incoming gases. (R. 161, 162.) A difference of from .020" to .025" in the length of the center electrode will affect the performance of the motor. (R. 258, 262-263.)

Too great exposure of the center electrode beyond the

insulator will cause it to overheat and result in pinging or preignition; too little exposure will have the opposite effect. (R. 276.) The burning of the gases is what causes the plug to heat up and the incoming gases may also have a cooling effect if the electrodes project into the path of the fuel. (R. 269.)

Replacing Side Electrodes

When the side electrode is badly burned respondents remove it entirely and substitute a new side electrode (of different material), which is welded on and bent to form the gap. (R. 328.) The method used in this welding operation is one that was discarded by petitioner many years ago, because it was found that electrodes so welded would come loose in use. (R. 230-232.)

Changes in Shape of Insulators

Every one of respondents' plugs in evidence, when new, had the extreme end of the insulator provided with what is referred to as a semi-petticoat end, this being the sharpened or thinned marginal portion at the extreme end of the insulator. Additionally, 31 of the 40 plugs purchased from respondents embodied the feature which is covered by petitioner's Rohde Patent No. 1,852,265. (Physical Exhibit 20.)[6]

The feature of the Rohde patent is the shape or contour of the firing end of the insulator, with an enlarged portion at the extreme end and a narrowed or neck portion between it and the main body of the insulator. Its function is to control the heat range of the plug, which affects its fouling range and the temperature at which it operates. (R. 209.) The patented feature makes the plug less susceptible to fouling in an oily engine.[7] (R. 209, 272.)

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[6] Physical Exhibit 18 (post p. 52) illustrates how the semi-petticoat has been removed from the insulators in respondents' plugs, and how the shape of the insulators has been changed, thereby destroying or impairing the feature of the Rohde patent.

[7] Exhibit 18 also shows the extent to which this patented feature has been destroyed or mutilated by respondents' sand blasting operations.

Fact Findings 11; 14 and 15 are in part as follows (R. 523, 524):

> "* * * The semi-petticoat end of the insulator has been completely destroyed in 33 of the 40 plugs and partially destroyed in the other 7; * * * a substantial portion of the insulating material has been removed from the firing end of each of the forty plugs; * * *.
>
> "Removal of a portion of the insulating material from the firing end of a spark plug adversely affects the heat range of the plug.
>
> "* * * Thirty-one of defendant's plugs in evidence as Exhibits 1, 2, 3 and 4 originally embodied this patented feature, and in each of them the configuration of the firing end of the insulator has been so changed as to destroy or materially impair this patented feature."

The function of the semi-petticoat end is two-fold—(1) to prevent oil from running from the insulator down on to the center electrode where it may form a drop in the gap space and cause a short circuit, and (2) to control the heat condition in the thin edge portion or skirt of the insulator so as to cause it to operate at higher temperatures and burn off accumulations of carbon and fuel. (R. 201.)

Shortening the insulator increases the exposed portion of the center electrode with the result that it operates at a higher temperature, thus causing it to burn away faster and, in extreme cases, become hot enough to cause the engine to ping or knock while accelerating, and even to cause preignition. (R. 163.)

Importance of Correct Gap Settings

The spark gap in every Champion plug is set accurately during the process of manufacture in accordance with directions on petitioner's gap sheets, which prescribe the setting for each type of plug in thousandths of an inch, with plus or minus

tolerances generally of .002". (Physical Exhibits 12 and 12-A.) When the same plug is recommended for use in cars which require different gap settings, the gap is set at the proper width for the car or cars in which it is most extensively used and a notice is placed in the carton instructing the mechanic who installs the plugs as to the proper gap setting for use in other makes of cars.[8] (R. 145-153.)

Of the thirty plugs in evidence which respondents sold as Champion No. 7 plugs, only 21 were originally Champion No. 7s. As manufactured, the gaps in the No. 7 plugs were set at .025", with a plus or minus allowance of .002", but the gaps in these 21 exhibit plugs range from .010" to .034", with more than half of them outside the tolerance limits of petitioner's specifications.

With respect to the effect of having the gap spacing too wide or too narrow, petitioner's chief engineer Sibley testified (R. 162):

> "If your spark plug gap were too close that would give you an uneven operation, an unbalanced operation and have a tendency to cause rough engine operation together with probably stalling at a very slow speed or when waiting for a stop light to change or something of that sort.
>
> "In the case of a wide gap, that can give you an uneven engine performance at high speed on a very heavy pull and very seriously affect your fuel economy in that particular engine."

How Respondents' Plugs Are Marketed

Respondents pack their refurbished plugs (still bearing petitioner's trade-mark and type marks) in cartons and con-

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[8] Several of these gap notices are in evidence as Exhibits 13, 13-A, 13-B, 13-C. (R. 465 and 466.) Referring to Exhibit 13-A, for example, this notice is packed with all J-8 and J-9 plugs. The most common use of these two types is in cars which operate most efficiently with a spark gap of .025". Therefore, the gap is set at that spacing in all plugs of these two types, with instructions to change the gap spacing if the plug is to be used in certain specified cars, viz., to .039" for Chevrolet and Oldsmobile 6, .032" for Hudson, and .030" for Willys and Oldsmobile 8.

tainers of the same size, color and appearance as the cartons and containers used by petitioner in marketing the plugs when new, thereby making easy the substitution of respondents' plugs for new CHAMPION plugs by dealers who make sales of plugs over the counter.[9]

Respondents further encourage dealers in their plugs to substitute them for new CHAMPION plugs by omitting from their packages any business name or address, and by printing on two sides of each carton and container the words "GUARANTEED DEPENDABLE," which petitioner has printed on its cartons for many years.

Thus packaged, respondents sell their refurbished plugs to dealers, garages, service stations and filling stations, many of which handle new CHAMPION plugs, and instead of distributing their own printed matter containing truthful statements regarding their product they surreptitiously obtain and supply to their customers genuine CHAMPION "Size Charts", which petitioner distributes in large quantities to jobbers, dealers, garagemen and others who handle new CHAMPION plugs. (R. 333-4.)

Respondents sell their plugs at retail over the counter at their place of business in Brooklyn for 20 cents each, in boxes of ten plugs, and at substantially lower prices to garages and service stations. Petitioner's price to dealers for new Champion plugs in boxes of ten was 41 cents each prior to January 1, 1942, and on that date the price was increased a few cents per plug. (Fact Findings 22 and 23.) There is no evidence that this difference in price between petitioner's new plugs and respondents' reconditioned plugs is passed on to ultimate purchasers of respondents' plugs.

Sales of respondents' plugs by unscrupulous dealers, garages and service station operators when new CHAMPION plugs are desired are thus encouraged and made easy. Car

[9] Compare petitioner's carton and container, Exhibits 6 and 7, with respondents' carton and container, Exhibit 2.

owners who have replacement plugs installed in their cars at garages or service stations seldom see the cartons and generally do not see the plugs until after they are installed, when it is practically impossible to distinguish a reconditioned plug from a new one.

Chronology of Respondents' Activities

Respondents started to recondition spark plugs originally manufactured by petitioner sometime prior to 1936 and have sold their product throughout the world. (R. 299.)

On July 17, 1936, the United States District Court at Detroit entered a decree against Jack Emener finding that he had infringed petitioner's trade-mark CHAMPION by retaining it on his reconditioned plugs which he sold to the dealer and garage trade. (16 F. Supp. 816), and on September 23, 1936, petitioner wrote to respondents calling their attention to that decision, quoting at length from the decree and requesting them to discontinue their infringements. (Exhibit 22, R. 469-472.)

Petitioner received no response to that letter and on November 20, 1936, it again wrote to respondents calling attention to the previous letter and requesting a reply. (Exhibit 23, R. 473.) No reply was received from respondents, but on December 1, 1936, an attorney named Louis J. Lefkowitz wrote to petitioner stating that this matter had been referred to him and making an evasive reply. (Exhibit 24, R. 474.)

Petitioner then referred the correspondence to its attorneys and on December 12, 1936, they wrote to attorney Lefkowitz requesting that he instruct his clients to comply with the decision in the Emener case. (Exhibit 25, R. 475.) No reply was received and on September 21, 1937, petitioner's attorneys again wrote to attorney Lefkowitz calling attention to their previous letters and to pertinent decisions of this Court and again requesting that respondents observe the con-

ditions laid down by the decision in the Emener case. (Exhibit 26, R. 476.) No reply was received and petitioner again wrote direct to respondents, calling attention to the letter from its attorneys to Attorney Lefkowitz. (Exhibit 27, R. 478.)

Respondents entirely ignored these notices and requests and the matter was dropped temporarily pending the outcome of the suit by petitioner against J. F. Reich, doing business as Automotive Products Company, filed in the United States District Court at Kansas City, Missouri.

Shortly after the decision of the Court of Appeals in the *Reich* case, petitioner's attorneys wrote to respondents calling attention to that decision and requesting them to observe the conditions of the injunction entered against Reich. (Exhibit 28, R. 479.) Again respondents made no reply and continued their infringing operations.

Arrangements were then made for the purchase of some of respondents' plugs, which were secured in November, 1943, and this suit was commenced on April 12, 1944.

Summary

From the foregoing detailed statement of the case it will be seen that although the Court of Appeals below has held that respondents have infringed petitioner's trade-mark by their practice of repairing and selling petitioner's discarded spark plugs with the CHAMPION trade-mark thereon, and have been guilty of unfair competition by their method of marketing the reconditioned spark plugs, nevertheless the mandate of the Court of Appeals permits respondents to continue to use petitioner's trade mark in the sale of these reconditioned plugs; it also permits respondents to continue the principal practices which the same Court held to constitute unfair competition; and it refuses petitioner an accounting for profits and damages.

The Relief Petitioner Here Seeks

Petitioner asserts that under the adjudicated facts in this case it is entitled to an injunction perpetually restraining respondents from using, in any manner whatsoever, petitioner's trade-mark CHAMPION as the name of the product they sell. There can be no doubt but that respondents are free to state the truth concerning the origin of their spark plugs, and petitioner never has contended to the contrary, but this Court repeatedly has drawn a sharp distinction between *a truthful statement as to origin* and *the use of a trade-mark as the name of a product*. It is the latter practice that here is involved, and which, under the decisions of this Court, was enjoined by the Eighth Circuit Court of Appeals in the *Reich* Case. The Second Circuit Court of Appeals below, either ignoring or failing to appreciate this vastly important distinction, erroneously sanctioned respondents' use of petitioner's trade-mark as *the name of the product* they sell. It is this error that petitioner seeks to have corrected by this Court.

Similarly, and for substantially the same fundamental reasons and underlying equitable principles, petitioner also insists upon an injunction restraining respondents from continuing the use of petitioner's type marks on the reconditioned plugs that they sell and which have been so altered since they were made and sold by petitioner that they no longer truthfully designate the type of plugs marked thereon. This practice was found by the Court of Appeals below to constitute an important element of what was adjudged to be unfair competition and we can conceive of no legal or equitable principle which would justify permitting respondents to continue such practice. So here, again, the mandate of the Court of Appeals below which permits the continuance of this practice was erroneous and should be corrected by this Court.

Finally, it would seem to be an inevitable consequence of respondents' infringement of petitioner's trade-mark, as well as of respondents' unfair practices of competition, that peti-

tioner has been materially damaged and respondents have unjustly profited. Under such circumstances, petitioner insists that it is entitled to an accounting in the present case such as was accorded it in the *Reich* Case in the Eighth Circuit, but which was denied it in the present case.

ASSIGNMENT OF ERRORS

As above stated, petitioner asserts that the Second Circuit Court of Appeals erred—

(1) in refusing to enjoin respondents' continued use of petitioner's trade-mark as the name of the product which respondents market;

(2) in refusing to enjoin respondents' further use of petitioner's type marks and slogan in connection with the products which respondents market; and

(3) in refusing to require respondents to account to petitioner for respondents' profits and petitioner's damages resulting from respondents' trade-mark infringement and unfair competition.

QUESTIONS PRESENTED

1. Can one who has been adjudged an infringer of a trade-mark be permitted, under any circumstances or on any conditions, to continue the infringing use of the trade-mark?

2. Can one who has been adjudged to be guilty of unfair competition be permitted to continue the principal practices which the court found to be unfair?

3. Under the provisions of Section 19 of the Trade-Mark Act of February 20, 1905 (15 U.S.C. 99)[10] can an accounting of profits and damages be denied the owner of a trade-mark against one who has been adjudged an infringer and who deliberately, over a long period of time, continued the infringement after notice and request to desist?

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[10] Printed in full as an appendix to this brief, at page 50.

ARGUMENT

POINT I.

ON THE FACTS OF THIS CASE PETITIONER IS ENTITLED TO UNCONDITIONAL AND UNQUALIFIED INJUNCTIVE RELIEF

General—

There are two fundamental principles involved in every controversy concerning trade-mark rights and unfair competition. These are:

(1) The public is entitled to protection from having foisted upon it a spurious product instead of the genuine one desired; and

(2) A manufacturer is entitled to protection of its name, reputation and good will as a producer and marketer of a trade-marked quality product of commerce.

On the facts in this case the only way that both the public and petitioner can be adequately protected is by an unconditional and unqualified injunction which would prevent respondents from continuing to use petitioner's trade-mark and type marks.

Petitioner does not question respondents' right to obtain from where they may discarded CHAMPION spark plugs and to recondition them for resale. But petitioner does object, very strenuously, to respondents marketing such reconditioned spark plugs as CHAMPION spark plugs (which they no longer are) of particular type numbers (which likewise they no longer are).

It is evident that for respondents to be permitted to continue to do either of these things not only constitutes or encourages the perpetration of a fraud upon the public, but also subjects the name, reputation and good will of petitioner to incalculable damage.

Nor does petitioner question the right of respondents to

tell the truth regarding their reconditioned spark plugs, including the origin thereof. It is one thing, by appropriate literature, printing, etc., to state to customers and prospective customers that the spark plugs offered for sale by respondents were originally built by petitioner and, after use, have been reconditioned by respondents. It is an entirely different thing, however, to deliberately conceal the truth by purposefully omitting any mention of respondents' connection with the reconditioned spark plugs; packaging them in boxes of the same size, shape and color as employed by petitioner for its new spark plugs, and with petitioner's well known slogan "GUARANTEED DEPENDABLE" conspicuously printed on said boxes; and most important of all, with petitioners' *trade-mark* on the reconditioned product and the packages therefor.

To judicially sanction any such thing inevitably means that ownership of a trade-marked commodity vests in the owner of the commodity the right to market it under the trade-mark—a proposition which this Court repeatedly has held to be unsound. Thus, in *Bourjois v. Katzel*, 260 U. S. 689, Mr. Justice Holmes, speaking for this Court, said (at p. 692):

> "Ownership of the goods does not carry the right to sell them with a specific mark."

And this doctrine was further elucidated by this Court in its decision in *Old Dearborn Distributing Co. v. Seagram-Distillers Corp.*, 299 U. S. 183, at p. 194, where Mr. Justice Sutherland, speaking for this Court, said:

> "We are here dealing not with the commodity alone, but with a commodity *plus the brand or trade-mark* which it bears as evidence of its origin and of the quality of the commodity for which the brand or trade-mark stands. *Appellants own the commodity; they do not own the mark or the good will that the mark symbolizes.* And the good will is property in a very real sense injury to which, like injury to any other species of property, is a proper subject for legislation."(11)

(11) All emphasis in quoted matter is added.

And, later (at p. 195)—

> "There is nothing in the act to preclude the purchaser from removing the mark or brand from the commodity —*thus separating the physical property, which it owns, from the good will, which is the property of another*— and then selling the commodity at his own price, provided he can do so *without utilizing the good will of the latter as an aid to that end.*"

Any judgment, such as that of the Court of Appeals below, which permits respondents to continue to use petitioner's trade-mark in itself constitutes a fraud upon the public because the trade-mark appearing on the plugs unqualifiedly represents that the plugs are petitioner's product precisely and scientifically designed and fabricated in accordance with their particular type numbers; whereas, as a matter of fact, such representation is utterly false. The most that could be said of the reconditioned plugs is that they *were,* but no longer *are,* CHAMPION spark plugs or CHAMPION spark plugs of the type designated thereon.

This Court long has recognized (Cf. *Menendez v. Holt,* 128 U. S. 514; *Bourjois v. Katzel,* 260 U. S. 689) that the good will of a trade-mark depends upon the character of the goods to which it is applied. As stated in the *Bourjois* Case (260 U. S. 689, at p. 692)—

> "It (the trade-mark) stakes the reputation of the plaintiff upon the character of the goods."

A particularly apt statement of the rule is that used by the Court of Appeals for the Eighth Circuit in *Coca-Cola v. Bennett,* 238 F. 513 (at p. 517) where the Court quoted with approval the language from an earlier case, as follows:

> *"The greatest value of a trade-mark is the reputation established by the excellence of the article, and the knowledge and appreciation of that fact by the consuming public."*

With these fundamental facts in mind we desire to analyze the judgment of the Court of Appeals below, as well as the

manner in which it successively was arrived at, for the purpose of showing that the relief accorded petitioner is wholly inadequate, both as a matter of law and of practical effect.

The Judgments of the Courts Below

The judgment of the District Court found respondents guilty of trade-mark infringement and enjoined them (R. 529-31)—

(a) from marketing their altered plugs *without first removing petitioner's trade-mark and type marks therefrom;*

(b) from printing or otherwise displaying petitioner's *trade-mark and type marks* on their cartons and containers, and

(c) from using petitioner's name or trade-mark, or any abbreviation or imitation thereof, in selling or advertising for sale any such spark plug; provided that respondents may affix to the cartons and containers in which they pack their reconditioned spark plugs the legend—

> "Used spark plug(s) originally made by Champion Spark Plug Company repaired and made fit for use up to 10,000 miles by Perfect Recondition Spark Plug Company, 1133 Bedford Avenue, Brooklyn, N. Y."

Obviously, this legend, permitted by the District Court, was intended to be patterned after the legend approved by this Court in *Prestonettes v. Coty*, post p. 40 (264 U. S. 359).

The judgment further required (R. 530) that respondents stamp the word "REPAIRED" into the hex portion of their plugs, and fill the indentations with heavy white paint so as to make the word clearly legible, and to paint the metal body gray, brown, orange or green, instead of black as respondents have been doing.

The Court of Appeals stripped the judgment of all provisions which might have afforded petitioner relief against continued acts of trade-mark infringement and unfair competi-

tion. It also eliminated from the judgment the requirement for the legend, authorized an ineffective method of marking the word "REPAIRED" on respondents' plugs, and approved of respondents painting the metal parts of the plugs with aluminum paint (thereby giving them the appearance of bright new metal) instead of with gray, brown, orange or green paint, as prescribed by the judgment.

As a substitute for an injunction against the continued use of petitioner's trade-mark and type marks, and for the legend required by the District Court, the Court of Appeals required merely that respondents print their name and address on their packages and in their advertising, and state merely that the plugs had been used and were reconditioned by them.

Specifically, the Court of Appeals eliminated the provisions of the judgment—

(a) which required respondents to remove petitioner's trade mark and type marks from their plugs;

(b) which enjoined respondents from printing petitioner's trade-mark and type marks on their cartons and containers;

(c) which enjoined respondents from using petitioner's name or trade-mark, or any abbreviation or imitation thereof in selling or advertising their plugs for sale;

(d) which required respondents to stamp and impress the word "REPAIRED" in the metal shell of the plugs in letters of sufficient size and depth to retain enough white paint to distinctly display each letter of said word in white and to fill such indentations with a heavy white paint;[12] and

(e) which required respondents to cover the metal shells of their plugs with durable "gray or brown or orange or green paint or lacquer", instead of painting them black in resemblance to petitioner's new plugs as they have been doing.[13]

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(12) This was a part of the relief granted by the District Court in *Champion v. Emener*, 16 F. Supp. 816, 825.

(13) This also was a part of the relief granted in the *Emener* case and similar to that granted by the District Court (Judge Learned Hand) in *Champion Spark Plug Co. v. Mosler & Co.*, 233 Fed. 112.

The process by which the judgment of the District Court was stripped of every provision which was designed to afford petitioner relief from adjudged trade-mark infringement and unfair competition was as follows:

1. The Court first eliminated subparagraph 3-(a)-1 of the judgment (R. 529), which enjoined the sale of respondents' plugs *unless and until* "all trade-marks, trade-names, type marks and style marks have been completely removed therefrom." (R. 583.)

2. The first supplemental opinion modified the judgment in two additional respects—

(a) It cancelled subparagraph 3-(a)-3 which required that the word "REPAIRED" be stamped and impressed *into* one face of the hex portion of the metal shell, and the indentations filled with heavy white paint so as distinctly to display each letter of said word in white (R. 530), and substituted therefor the following (R. 601):

> "3. The word REPAIRED or USED all in capital letters of a size as large as the face of said plugs will permit, has been stamped and baked upon the hex portion of said plugs of all sizes *by an electrical hot press* in a contrasting color in a manner clearly and distinctly visible on the background on the face of the metal shell of said plug, which metal shell and the attached bushing nut shall have been completely covered by permanent *aluminum* paint, or other paint or lacquer as set forth in Article 2, to provide such background."

(b) It added to the judgment (R. 601):

> "2. The decree shall permit the defendants to state on cartons and containers the original make and type numbers provided it is made clear that any plug referred to therein is used and reconditioned by the defendants."

3. The second supplemental opinion modified the judgment of the District Court in two further respects (R. 603):

(a) It substituted the following paragraph for the paragraph numbered "2" in the first supplemental opinion (R. 603):

"2. The decree shall permit the defendants to state on cartons and containers, selling and advertising material, business records, correspondence and other papers, when published, *the original make and type numbers* provided it is made clear that any plug referred to therein is used and reconditioned by the defendants, and that such material contains the name and address of defendants."

(b) It eliminated entirely Article 3-(b) of the judgment (R. 530) which enjoined respondents—

"from selling or offering for sale, or delivering to others for sale, any used spark plug of plaintiff's original manufacture which has been 'repaired', 'reconditioned' or otherwise treated to improve its appearance or usefulness, in a carton, container, wrapper or holder on which the name CHAMPION or any abbreviation or imitation thereof, or any type or style mark of plaintiff, is printed, stamped or otherwise displayed; and from using plaintiff's name or trademark, or any abbreviation or imitation thereof, in selling or advertising for sale any such spark plug; provided that defendants may affix to the cartons and containers in which they pack their said spark plugs for sale the following legend:

'Used spark plug(s) originally made by Champion Spark Plug Company repaired and made fit for use up to 10,000 miles by Perfect Recondition Spark Plug Co., 1133 Bedford Avenue, Brooklyn, N. Y.'

the name and address of the defendants to be larger and more prominent than the legend itself, and the name of plaintiff may be in slightly larger type than the rest of the body of the legend."

The elimination of this paragraph of the judgment leaves entirely to respondents' discretion the wording of the legend whereby they may inform purchasers that their plugs have been used and were reconditioned by them. In fact, the use of any legend is entirely optional with respondents, and in view of their right, under the judgment as modified, to retain petitioner's trade-mark and type numbers on their spark

plugs, and to print them on their cartons and containers, respondents would not be likely to make use of any legend. *All the information they wish to convey would be imparted by these markings alone,* and petitioner would be left where it was before respondents were found guilty of trade-mark infringement and unfair competition.

By approving the use of an electrical hot press for stamping the word "REPAIRED" or "USED" on the hex portion of respondents' plugs the Court left them free to continue to use the method of marking which they used on the exhibit plugs, and which the Court of Appeals referred to (R. 584) as a "not satisfactory compliance" with an order of the Federal Trade Commission to distinguish their *second-hand* plugs, when offered for sale, from *new* plugs.[14] By authorizing the use of aluminum paint instead of one of the colors prescribed by the judgment (R. 530), the Court overlooked the purpose of the requirement, viz., to stimulate the curiosity of purchasers and prospective purchasers, and encourage them to examine the plugs more closely than they otherwise would, hereby increasing the possibility of their noticing the word "USED" or "REPAIRED" stamped on the hex thereof.

The use of aluminum paint on respondents' plugs would add to the appearance of newness and thereby discourage rather than encourage close examination, and thus foster "palming off."

It was for the purpose of putting purchasers on notice that Judge Learned Hand required defendants to "change the color of the shell and bushing nut, and of the porcelain, so as to distinguish their appearance," in *Champion Spark Plug Company v. A. R. Mosler & Co.*, and same *v. Benford Mfg. Co.*, 233 Fed. 112, 117; and it was for the same reason that

(14) When sold by respondents the plugs in evidence as Exhibits 1 to 4 inclusive had been *stamped* with the word "RENEWED" in the manner now permitted by the Court of Appeals. Examination of the exhibit plugs will disclose (as found to be the fact in the opinion of the District Judge, R. 494) that the stamped word "RENEWED" is, in every instance, "almost illegible," and "is inadequate to accomplish any real purpose". (See, also, the testimony of Grant as to the ineffectiveness of such method, R. 76, 77.)

the District Court in *Champion Spark Plug Co. v. Emener*, 16 F. Supp. 816, 825, required defendant to paint the shells of his plugs red. In the *Mosler* and *Benford* cases both defendants applied their own trade-marks to their plugs and cartons, nevertheless the Court required them to change the appearance of their plugs.

In effect, the opinion of the Court of Appeals in the present case revives the rule of *caveat emptor* which this Court rejected and refused to apply in *Federal Trade Commission v. Standard Education Society*, 302 U. S. 112, 116, where the Court stated:

> "The fact that a false statement may be obviously false to those who are trained and experienced does not change its character, nor take away its power to deceive others less experienced. There is no duty resting upon a citizen to suspect the honesty of those with whom he transacts business. Laws are made to protect the trusting as well as the suspicious. The best element of business has long since decided that honesty should govern competitive enterprises, and that the rule of *caveat emptor* should not be relied upon to reward fraud and deception."

It is not at all necessary that reconditioners of used spark plugs be permitted to use and thereby to infringe the manufacturer's trade-mark in telling the truth regarding the origin of their products. Such right was preserved to respondents by the judgment of the District Court herein, and it was assured to defendant by the opinion of the Court of Appeals in the *Reich* case, which provided (121 F. (2d) 774):

> "Such a decree will not prevent the defendant from using his own trade-marks or type numbers nor from printing a *truthful explanatory statement* as to the origin of the plugs upon the cartons."

In the District Court respondents urged that it would disrupt their business if they were required to remove petitioner's trade-mark and type marks from their plugs. This caused an inquiry as to the effect the same requirements in the

Reich case had upon that defendant's business. The District Court in the present case, after reviewing the proofs, stated (R. 497):

> "The foregoing constitutes practical evidence that the injunction granted by the Court in the Eighth Circuit did not result in destroying the Reich business."

The removal of petitioner's trade-mark and type marks from respondents' reconditioned plugs imposes no hardship or undue expense upon respondents. It is a regular practice in petitioner's plant to remove these markings from its plugs, and this can be done effectively and inexpensively without impairment of the plugs or danger to the employees, as was physically demonstrated to the satisfaction of the District Court at the trial of this cause (R. 120-121, 125-26). On this subject the District Court stated (R. 514):

> "B. As to the removal of the trade-mark 'Champion', and the type or style marks on the insulator *the evidence leaves no room for doubt that this can be done safely and cheaply, and without impairment of the porcelain itself*. The demonstration at the trial was *conclusive* on that subject."

Thus, the Court found as a fact (Finding 21, R. 525):

> "Plaintiff's trade-mark and type marks can be readily and cheaply removed from the insulators of its spark plugs without damage to the plugs or injury to the employees who do the work, and defendants have removed said trade mark from some of their shipments to foreign countries."

In the face of this established fact it becomes a certainty that the only disruption of respondents' business that would be occasioned by the requirement that they remove petitioner's trade-mark and type marks would be that occasioned by the inability of respondents to attract as purchasers for their reconditioned plugs unscrupulous dealers who see the possibility of palming off upon unwary motorists reconditioned "CHAMPION" plugs as new plugs, or by the inability of respondents

to thereafter trade on petitioner's name, reputation and good will in order to sell their products. Surely, the aid of the Court should not be given to make possible either eventuality.

The Errors in the Opinion of the Court of Appeals

It is believed that the Court of Appeals was induced to its erroneous conclusions as to the relief that should be accorded petitioner because of a series of manifest and material errors of fact and law which will be apparent on examination of the opinion. We desire to point out and specifically consider each of them.

Error of Fact

The Court erroneously stated that the changes which have occurred in respondents' plugs since they were manufactured and sold by petitioner "are theoretical and in practice unimportant." (R. 581.)

Errors of Law

1. The Court erroneously concluded that "the finding of the trial judge that the reconditioned plugs were so altered that they could not properly be sold with the trade-mark CHAMPION on them, was without substantial basis." (R. 579.)

2. The Court erroneously concluded that the right of petitioner to enjoin the sale of respondents' altered plugs under the CHAMPION trade-mark depends upon the efficiency of respondents' plugs.

3. The Court erroneously stated: "It is well settled by the authorities that the defendants have a right to sell an article manufactured by the plaintiff and to say that it has been so manufactured *by retaining the latter's trade-mark and style numbers* to indicate the origin of the goods." (R. 581.)

4. The Court erroneously concluded that respondents may continue to market their altered plugs under the CHAMPION trade-mark and type marks if they print their business

name and address on the packages, and state that the plugs are used articles which have been repaired or reconditioned by them.

We will point out the error of the Court in each of the foregoing instances.

Error of Fact

In complete disregard of the fact findings entered by the District Court on conflicting testimony, and contrary to the great weight of the evidence, the Court erroneously stated that the changes which have occurred in respondents' plugs since they were manufactured and sold by petitioner *would not materially affect their functioning nor the operation of a motor in which they were installed.* It stated (p. 578):

> "* * But no experimental proof was offered by Sibley, nor by anyone else, that any changes in heat range resulting from the shortening of the inner electrode or abrasions of the insulation, or from the welding of the ground electrode, were sufficient to impair the commercial use of defendants' plugs or even to render them of different type numbers from those originally manufactured by the plaintiff. * * *

On substantial evidence, the District Court found specifically to the contrary. It found that the center electrode in many of respondents' plugs had been shortened *more than 1/32 of an inch*, and that shortening the center electrode "changes the location of the spark which ignites the charge of fuel in the motor cylinder and affects the heat range of the plug and the burning of the fuel" (findings 12 and 13); that "a *substantial portion* of the insulating material has been removed from the firing end of each of the forty plugs," and that removal "of a portion of the insulating material from the firing end of a spark plug *adversely* affects the heat range of the plug" (findings 11, 14); that a patented feature for which petitioner claims important advantages in heat control and

regulation between the several portions of the spark plug core has been destroyed or materially impaired in each of the thirty-one of respondents' plugs which, when new, embodied that feature (finding 15).

The District Court further found that because of these *and other changes* respondents' plugs "have ceased to have a number of the functional and mechanical features which *characterize* new Champion plugs and *cannot truthfully be referred to as Champion plugs as that term is used by plaintiff and known to the motoring public nor as Champion plugs of the type number marked thereon by plaintiff.*" (Finding 16.)

Respondents do not deny that since their plugs were manufactured and sold by petitioner they have undergone *all* of the changes specified in the fact findings, but they contend that notwithstanding these changes the plugs may still truthfully be sold as CHAMPION plugs of the type numbers stamped thereon by petitioner.

In sustaining this contention of respondents the Court of Appeals relied solely on opinions expressed by their witness Kasarjian, and ignored opinions and fact testimony of petitioner's chief engineer Sibley, obviously relied on by the trial Court in making the findings above referred to. The Court of Appeals stated that Kasarjian's testimony—

> "* * in the absence of any proof that defendants' plugs have not worked satisfactorily, convinces us that the finding of the trial judge that the reconditioned plugs were so altered that they could not properly be sold with the trade-mark 'Champion' on them, was without substantial basis." (R. 579.)

It is clear from the opinion that this conclusion was based on two false assumptions, as follows:

(a) That the petitioner offered no proof that the changes which have occurred "were sufficient to impair the commercial use of defendants' plugs or even to render them of

different type numbers from those originally manufactured by plaintiff" (R. 578-9); and

(b) That Kasarjian "made practical tests and measurements" (R. 579).

Each of these statements either is contrary to the evidence or is based on erroneous assumptions, as we shall now point out.

(a) In stating that petitioner offered no proof that the changes in respondents' plugs were sufficient to impair their commercial use the Court relied on the fact that Sibley did not test those plugs in an automobile, and erroneously assumed that Kasarjian had made such tests. The fact is that neither Sibley nor Kasarjian conducted operating tests of the exhibit plugs nor of any other sets of respondents' plugs. Therefore, the testimony of both witnesses as to the effect the changes would have on the operation of a motor was necessarily in the form of opinions, and the reliance to be placed on such opinions depends upon the experience and qualifications of the witnesses and on the confidence placed by the trial judge in their opinions after *hearing* their testimony and *witnessing their conduct on the stand*. First, as to their qualifications—

Sibley has been employed in the engineering department of petitioner for twenty-five years, first in making up and testing experimental plugs, later as assistant engineer, then as chief engineer, and finally as factory manager. (R. pp. 139, 167-168.) During the entire period of Sibley's employment by petitioner it has sold spark plugs for use as factory equipment on many makes of automobiles, trucks and other motor driven vehicles, more than 240,000,000 CHAMPION plugs having been sold for that purpose. (R. 37, 156.) In adopting a plug for use as factory equipment the Engineering Departments of petitioner and of the car manufacturer cooperate to produce the plug which will give the most satisfacory and efficient performance in that particular motor.[15] Sibley gives

[15] Sibley explains this procedure in detail at pages 156-7 of the record.

several *factual* examples of the effect of slight changes in the firing end dimensions of Champion plugs which were being tried out for adoption as factory equipment by large motor car manufacturers. (R. 164-167.)

Kasarjian is now employed as chief engineer of a small company which manufactures spark plugs for use in aircraft. For several years prior to 1933 he was similarly employed by a company which manufactured automotive spark plugs. He has never worked with the engineering departments of car manufacturers in the selection and modification of plugs for use as factory equipment, *nor did he mention a single instance where he had witnessed the effect on the operation of a motor of slight changes in the firing end of the plugs with which it was equipped.*

Sibley examined respondents' exhibit plugs and took accurate measurements of them immediately after their sale by respondents, and again shortly before the trial. Kasarjian never saw those plugs until they were shown to him while on the witness stand, and then he took no measurements, and made only a casual inspection of them without the aid of a magnifying glass.

Sibley could not have tested respondents' plugs by their actual operation in a motor without making it impossible to offer the plugs in the condition in which they were purchased from respondents. Had they been so tested the tests could have proven nothing more than what petitioner admits, viz., that respondents' plugs will operate a motor. Such testimony, if offered, would have had no greater bearing on the issues than would proof of the fact that there are hundreds of different makes of spark plugs on the market, each differing from CHAMPION plugs in their firing end dimensions, but which will function to operate a motor.

Of course, any such fact is immaterial to the issues here presented. Petitioner asserts—it even insists—that, as found by the trial Judge, its product is *"a precision device."* The

public acceptance thereof, and the good will which petitioner has created therefor, have resulted from the precision manufacture of each of its spark plug types, whereby maximum efficiency and maximum satisfaction in operation have been secured. The good will in petitioner's trade-mark was created, at great expense, over a long period of years, not because it marketed spark plugs *which would run a motor,* but because it marketed spark plugs which would result in the *most efficient* operation of the motors for which they were especially designed. The good will of the trade-mark CHAMPION was established by proving to the purchasing public that the mark guaranteed maximum efficiency. That good will was maintained and extended, and its value enormously increased throughout the years, by never failing to meet that guarantee.

In other words, the trade-mark stakes the reputation of petitioner upon the character of its goods (*Bourjois v. Katzel,* ante p. 20), because the greatest value of a trade-mark is the reputation established by the excellence of the article and the knowledge and appreciation of that fact by the consuming public (*Coca-Cola v. Bennett,* ante p. 20).

As this Court knows, in an art as long established and as highly competitive as is that of spark plug manufacture, efficiency in operation—not merely that it *will* work—is the determining factor of public acceptance and good will. Anything affecting, much less impairing, the *efficiency* of a device which depends upon the precision of its manufacture, strikes at the very heart of public acceptance and the good will dependent thereon.

(b) Kasarjian did *not* make "practical tests and measurements" of the exhibit plugs, as stated by the Court; he has never made practical tests and measurements of any of respondents' plugs; nor has he ever conducted tests of any plugs for the purpose of ascertaining the effect of slight changes in their firing end dimensions on the efficiency and economy of motors in which they were installed.

What Kasarjian actually did—and all that he did in so far as disclosed by the record (and this was several years prior to the trial)—was to subject some new CHAMPION plugs and some Champion plugs which had been used and "reconditioned" to what he called a "bomb test", the purpose of which as explained by him was

> "particularly to find out whether the insulator, a ceramic, is sound or not" (R. 417, 440).

None of these plugs were offered in evidence or submitted for examination. The testimony was entirely from memory. Kasarjian made no measurements of the plugs and does not assert that they were ever used by him in an automobile. No attempt was made to reproduce operating conditions in a motor (R. 431), and finally (and this demonstrates the utter immateriality of the so-called "bomb test" to any issue in this case), he testified that the first step in his "bomb test" was to set the gaps on the reconditioned plugs to exactly correspond to the gaps on the new plugs, thereby conclusively establishing that the gap spacing of the reconditioned plugs was different from what they should have been and were in the new plugs.

From this it will be seen that the "tests" made by Kasarjian, and to which the Court of Appeals referred, were in no sense *"practical"* tests, as stated by the Court, or in any sense relevant to the only question involved. That question is whether or not respondents' plugs have been so materially altered in their physical and functional characteristics as to no longer, factually and truthfully, be identified by petitioner's trade-mark and type marks. There can be no doubt that if petitioner's plugs *have* been so altered then *the plugs can not be sold or offered for sale under petitioner's trade-mark and type marks without fraudulent representation.* The utter absence of any "tests" conducted by Kasarjian directed to the physical and functional characteristics of petitioner's plugs establishes beyond any question their irrelevance to the conclusion of the

Court of Appeals, and the insufficiency thereof to support such conclusion. If there can be any doubt remaining as to this it becomes conclusive upon an understanding of what the "bomb test" comprised.

This test consisted in sparking the plugs *at room temperature* at various pressures *up to* 150 pounds for the purpose of determining the pressure at which they would cease to spark. Not the slightest attempt was made to reproduce operating conditions in a motor where the spark plugs operate under *several hundred pounds pressure,* and *at temperatures high enough to cause preignition as a result of the ends of the electrodes or some point on the insulator becoming incandescent* (R. 431). The test gave no information and was wholly incapable of giving any information whatever as to the effect the changes in the physical conditions of the firing end of the plugs would have or be likely to have upon the operation of a motor in which they were installed. Nor did Kasarjian testify that he had ever conducted tests of any kind with any plugs for such purpose, or as a basis of qualifying him to express an opinion on the subject.

Thus it will be seen, without more ado, that the statement by the Court of Appeals that Kasarjian "made practical tests and measurements" (R. 579) was a factual error, was unsupported by *any* evidence, was completely contradicted by his own testimony, and was wholly inconsistent with the fact findings of the trial Judge who saw and heard Kasarjian testify.

Errors of Law

1. *The Court erroneously concluded that the finding of the trial Judge "that the reconditioned plugs were so altered that they could not properly be sold with the trade-mark 'Champion' on them, was without substantial basis."* (R. 579.)

In making this statement the Court either completely disregarded Rule 52(a) of the Rules of Civil Procedure, or it misconstrued and flatly contradicted the testimony, as above

pointed out (pp. 33-35). It is obvious that the Court could conclude that there was no substantial basis for the findings of the trial Judge only by construing the testimony differently from the way in which it was construed by the trial Judge *after hearing and seeing the witnesses testify*. It now is so universally recognized as not to require citation of authority that it is under circumstances such as these that the findings of the trial Judge are "unassailable";[16] and it is equally as elementary and universally recognized that a mere difference in interpretation of testimony from which fair minded men may honestly draw different conclusions is insufficient to avoid the application of the rule.[17]

2. *The Court of Appeals erroneously concluded that petitioner's right to enjoin the sale of respondents' altered plugs under the CHAMPION trade-mark is dependent upon the efficiency of respondents' plugs.*

In every case in which this and similar questions have been considered, the Courts have been unanimous in holding that it is wholly immaterial whether the spurious article is of better or poorer quality, or more or less efficient, than the genuine article.

In *Federal Trade Commission v. Royal*, 288 U. S. 212 this Court said, (at page 216):

> "* * If consumers or dealers prefer to purchase a given article because it was made by a particular manufacturer or class of manufacturers, they have a right to do so, and this right cannot be satisfied by imposing upon them an exactly similar article, or one equally as good, but having a different origin."

Similarly in *Federal Trade Commission v. Algoma Lumber Co.*, 291 U. S. 67, this Court said (at page 76):

> "The wood dealt in by the respondents is not substantially as good as the genuine white pine, *nor would*

(16) Adamson v. Gilliland, 242 U. S. 350.

(17) McDermott v. Severe, 202 U. S. 600, 604; Webb v. Frisch, 111 F. (2d) 887, 888 (C.C.A. 7); Kuhn v. Princess Lida, 119 F. (2d) 704-705 (C.C.A. 3).

sales under the wrong name be fitting if it were.

"The ruling of the court below as to this is infected by a twofold error. The first is one of fact. The supposed equivalence is unreal. The second is one of law. If the equivalence existed, the practice would still be wrong."

See also *Benton Announcements Inc. v. Federal Trade Commission,* 130 F. (2d) 254, 255, C.C.A. 2nd; *City of Carlsbad v. W. T. Thackeray & Co.,* 57 F. 18, 20; *Prince Mfg. Co. v. Prince Metallic Paint Co.,* 135 N. Y. 24. A particularly apt statement of the point is found in the decision by the District Court of Massachusetts in *American Thermos Bottle Co. v. W. T. Grant Co.,* 279 F. 151, wherein the Court said (at p. 159)—

"* * But customers have a right to indulge their tastes, feelings, whims, and even their unreasonable prejudices; a right to make their own choice as to American, English, French, Japanese, or German goods, out of which they may not be cheated by any misbranding, positive or negative. It is *no more a question of quality* or economics than a man's right to select his own tailor. * *"

See also Nims Unfair Competition and Trade-Marks, 3d Ed. Sec. 376.

Despite the settled law on the point, the Court of Appeals in its opinion (R. 578) implied that petitioner carried the burden of showing that respondents' reconditioned plugs would not operate as efficiently as petitioner's new CHAMPION plugs. The error of such conclusion as a matter of law is amply established by the foregoing authorities. As is clear therefrom, there can be no question of *burden* with respect to proof which under the authorities is immaterial to the issue involved. Even were the proof material, and the matter of burden pertinent, it long has been established by this Court (e. g. *Jacobs v. Beecham,* 221 U. S. 363) that the infringer of a trade-mark carries the burden to justify his infringement. As this Court frequently has stated (e. g. *Federal Trade Commission v. Algoma Lumber Co.,* 291 U. S. 67, at p. 78)—

"**** the public is entitled to get what it chooses, though the choice may be dictated by caprice or by fashion or perhaps by ignorance."

3. *The Court of Appeals erroneously stated: "It is well settled by the authorities that the defendants have a right to sell an article manufactured by the plaintiff and to say that it has been so manufactured BY RETAINING THE LATTER'S TRADE-MARK AND STYLE NUMBERS to indicate the origin of the goods."* (R. 581.)

It is, of course, obvious that *unused and unaltered* articles generally may be sold under the trade-mark and style numbers of the manufacturer, but even confining the statement to the sale of new articles the language is too broad, as evidenced by the decisions of this Court in such cases as *Bourjois v. Katzel* and *Old Dearborn v. Seagrams*, ante, pp. 19, 20.[18]

If the Court was referring to the sale of *used* or *altered* articles the quoted portion of the opinion also misstates the law. No case was cited in support of the statement and none can be found. Certainly, the decision of this Court in *Prestonettes v. Coty*, cited later on the same page of the opinion, does not support the proposition. Instead of holding that the *trade-mark* of the original manufacturer may be used to tell the truth regarding respondents' product, the decision in the Coty case is directly to the contrary. In the portion of the opinion which the Court of Appeals quotes this Court stated:

"* * * The plaintiff could not prevent or complain of its (defendant's) stating the nature of the component parts and the source from which they were derived *if it did not use the trade-mark in doing so* * * *."

The opinion in the Coty case also contains the following statement, which the Court of Appeals failed to note (264 U. S. 369):

"* * But when it (the name Coty) *in no way stands*

(18) 260 U. S. 689; 299 U. S. 183. See also Callman Unfair Competition and Trade-Marks, sec. 841 (b), pp. 1326-29.

> *out* from the statement of facts that unquestionably the defendant has a right to communicate in some form, we see no reason why it should not be used collaterally, *not to indicate the goods,* but to say that the trade-marked product is a constituent in the article now offered as new and changed."

In the Coty case there had been a change in the form of the Coty products as used by defendant, but the opinion points out that it was not claimed that this change had been detrimental. The facts in *Bourjois v. Katzel* and *Old Dearborn v. Seagrams* (supra) were even stronger in support of a *claim of right* of those defendants to retain the original trade-mark. In both those cases there had been no change whatever in the form of the product, and the trade-mark had been originally applied by the owner of the mark which also was the manufacturer of the product, yet in both cases this Court enjoined defendants from marketing their goods under plaintiffs' *trade-marks.*

4. *The Court of Appeals erroneously concluded that respondents may continue to market their altered spark plugs under petitioner's trade-mark and type marks if they print their business name and address on their cartons and containers and state that the plugs are used articles which have been reconditioned by them.*

That reconditioners of CHAMPION spark plugs have the right to resell them and to tell the truth regarding them has been freely admitted by petitioner in all the litigation on the subject, but it has steadfastly been denied that reconditioners have a right to use the CHAMPION trade-mark and type marks in so doing. In its opinion in the *Reich* case the Eighth Circuit Court of Appeals stated (121 F. (2d) 772):

> "Plaintiff concedes that the defendant has a right to deal in the physical property of discarded spark plugs apart from the trade-mark 'Champion' and to make some collateral use of the word 'Champion' in an explanatory statement which discloses the truth as to the origin of the plug and in which such word is not given particular prominence. * *"

It should be noted that the defendant in the *Reich* case was already doing all the Court of Appeals requires these respondents to do. He was stamping upon the hex portion of his plugs "Repaired by A. P. Co." and was printing on his cartons the legend (p. 771):

> "Repaired Spark Plug By The Automotive Products Company 3033 Main St. Kansas City Mo. Distributed by (Dealer's Name). This Spark Plug, While Not New, Has Been Restored To Usefulness By The Automotive Products Co., By Which It Has Been Thoroughly Renovated And Repaired. All Worn Parts Of The Electrodes Removed, The Remaining Parts Refinished And Adjusted So As To Make It An Efficient Used Spark Plug. Guaranteed To Give At Least 10,000 Miles Of Satisfactory Service; * * *."

In the *Coty* case the defendant was not permitted to use the *trade-mark* "Coty" as any part of the name of its product. Quite to the contrary, such use was expressly prohibited. The use of the *name* "Coty"—part of the name of the Coty Company—was limitedly permitted for the sole purpose of truthfully indicating the *origin* of the products. The Court took the precaution of approving the language, framed by the District Court, which would permit this use of the *name*, as distinguished from the *trade-mark*, for this limited purpose, in the following label:

> "Prestonettes, Inc., not connected with Coty, states that the contents are Coty's—(giving the name of the article) independently rebottled in New York."

every word to be in letters of the same size, color, type and general distinctiveness.

Conclusion on the Subject of Injunctive Relief to which Petitioner Is Entitled

Respondents having been adjudged guilty of trade-mark infringement and of unfair competition, the matter of the relief to be accorded petitioner is believed to be controlled by

the rule stated by this Court in *Warner & Co. v. Lilly & Co.*, 265 U. S. 526. In that case Lilly had established a business in a liquid preparation of quinine which it flavored and colored with chocolate, and sold under the name "Coco-Quinine". Subsequently, Warner began to market a similar preparation under the name "Quin-Coco". The suit was for trade-mark infringement and unfair competition. *Relief on the trade-mark was refused* because the name "Coco-Quinine" was held descriptive, but petitioner was held guilty of unfair competition. Both preparations were sold to the druggist trade and were so similar in appearance and flavor that they were "incapable of being distinguished by ordinary sight and taste." Defendants' product was sold to druggists at a lower price than plaintiff's.[19] In discussing the scope of the injunction, this Court stated (p. 532):

> "* * But respondent being entitled to relief, *is entitled to effective relief;* and any doubt in respect of the extent thereof *must be resolved in its favor* as the innocent producer and against the petitioner, which has shown by its conduct that it is not to be trusted."

Petitioner insists that the law applied and the relief granted by this Court in the *Coty* case are and should be controlling on the present case. If, as petitioner contends, the injunctive relief prescribed by this Court in that case was appropriate on the facts there before the Court, it necessarily follows that relief of no less scope is appropriate and necessary in the present case, where the trade-marked articles not only have deteriorated physically, but actually have been changed in a number of mechanical and functional features, since they were sold by petitioner.

Both the District Court and the Court of Appeals departed from this Court's directive in the *Coty* case without any asserted reason therefor, or any factual reason of which

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[19] Examination of respondents' plugs in evidence as Exhibits 1 to 4 will disclose that they look so much like new plugs that a casual inspection of them save by an expert will not disclose that they have been used and repaired. They also are sold to dealers at a price far below that of new Champion plugs.

petitioner is aware. Thus, the District Court prepared a legend (ante, p. 21) which respondents were permitted to use to tell the truth regarding the origin of their product in recognition of petitioner's repeated assertion that petitioner at no time has questioned the right of respondents to tell the truth concerning such origin. However, this legend, framed by the District Court, failed to call attention to the fact that respondents have no connection with petitioner, as did the legend approved by this Court in the *Coty* case. Additionally, the District Court's legend in the present case departed from that in the *Coty* case in that respondents were permitted to print the name of plaintiff *in slightly larger type* than the rest of the body of the legend. Nothing of this sort was justified by the decision in the *Coty* case nor by any difference in facts in the present case.

Even this legend (which went further than this Court deemed it to be necessary to go in the *Coty* case to protect any legitimate business of the infringer) was eliminated by the Court of Appeals, thereby leaving petitioner completely without the protection which this Court found to be necessary, under circumstances such as here presented, to protect the legitimate interests of both parties.

Therefore, this first point of argument may be concluded by specific recitation of what petitioner believes itself to be entitled to by way of injunctive relief, as prescribed by this Court in the *Coty* case, and which petitioner asks this Court to grant, as follows:

1. A permanent injunction restraining respondents in the form prescribed by Paragraphs 3a(1), (2) and (3) of the judgment of the District Court (R. 529, 530).
2. If the Court is of the opinion that any legitimate business of respondents requires protection by the use of a label telling the truth as to the origin of their reconditioned spark plugs, the label should be in the following form—

"This USED spark plug was originally made by Champion Spark Plug Company and has been repaired or

reconditioned and made fit for further use up to 10,000 miles by Perfect Recondition Spark Plug Co., 1133 Bedford Avenue, Brooklyn, N. Y."

It is submitted that the foregoing is the only relief that will be effective against further acts of infringement and unfair competition by respondents.

POINT II

PETITIONER IS ENTITLED TO AN ACCOUNTING

Petitioner desires to make it clear to this Court that it is not pressing this second point of argument because of the dollars which may be involved in an accounting—it is not here endeavoring to exact its pound of flesh. To the contrary, petitioner insists upon this relief, to which it is assured by the trade-mark statute (15 U.S.C. 99)[20] as well as by long established equitable principles, for the purpose of discouraging similar violations of petitioner's rights in the future. It requires neither citation of authority nor example to establish the point that unpunished transgression induces and encourages repetition and simulation. Therefore, similar acts of piracy by others can be discouraged *only* by the award of an accounting against these respondents as adjudicated infringers. The threat of an injunction at the end of lengthy litigation did not deter these respondents, and an injunction herein, without an accounting, would not be likely to deter others.

In the present case both trade-mark infringement and unfair competition have been adjudged. It is not contended by petitioner that separate accounting be had for each. The question before this Court is whether or not petitioner is entitled to an accounting at all.

At the outset of the discussion of this point of argument we again call attention to the fact that an accounting was had in the *Reich* case in the Eighth Circuit, thereby crystallizing a

[20] See Appendix, infra, p. 50.

second point of direct conflict between the Second and Eighth Circuits in the relief accorded petitioner in cases where both Courts adjudged the defendants to be guilty of both trade-mark infringement and unfair competition.

In the present case respondents' acts of trade-mark infringement and unfair competition have been both extensive and persistent. They continued for many years after similar acts by others had been adjudged to constitute both trade-mark infringement and unfair competition, and after respondents had been notified of those adjudications and requested to desist.

In denying an accounting the opinion of the Court of Appeals states (R. 583-4):

> "* * The District Court declined this relief on the ground that the defendants had attempted compliance with an order of the Federal Trade Commission. * * *
>
> "There is no proof that the defendants actually deceived the public by 'palming off' their goods as the plaintiff's. * * * But there evidently was an attempt to comply with the order of the Federal Trade Commission. Although we think there was *not satisfactory compliance* and that the decree we are requiring is necessary adequately to safeguard the public, nevertheless there was no likelihood of damage to the plaintiff or profit to the defendants due to any misrepresentation. Under the circumstances the accounting was properly denied. *Saxlehner v. Nielsen*, 179 U. S. 42; *Durable Toy & Novelty Corporation v. J. Chein & Co., Inc.*, 133 F. 2d 853 (C.C.A. 2)."

Denial of an accounting *for trade-mark infringement* cannot be justified by the failure of plaintiff to prove damage to itself or profit to defendant as a result of misrepresentation, nor can denial of an accounting *for unfair competition* be justified because of the absence of proof of actual palming off.

The *Saxlehner* case, cited by the Court of Appeals in support of its denial of an accounting, must be considered in connection with the companion case of *Saxlehner v. Eisner &*

Mendelson Co., 179 U. S. 19. The suits were for infringement of the trade-mark "Hunyadi", and for unfair competition in connection with the sale of bottled bitter waters. *The trade-mark was held invalid.* On the question of unfair competition this Court stated that the Nielsen label "is so obviously an imitation of the Saxlehner label that defendant makes no argument to the contrary, * * *."[21] The opinion in the Nielsen case concludes:

> "For the reasons stated in the former case, we think that defendant *should be held accountable* for this misappropriation." (179 U. S. p. 45.)

In the "former" case (*Saxlehner v. Eisner & Mendelson Co.*, 179 U. S. 19), the Court stated that the injury to plaintiff was "in the simulation of her bottle and label" and concluded (p. 41):

> "* * * While this label may have been adopted in good faith, we do not think its employment would prevent the casual customer from purchasing this water as that of the plaintiff, and that the injunction should also go against its use and that plaintiff *should recover her damages therefor.*"

Instead of justifying the refusal of an accounting against the present respondents, these *Saxlehner* cases support petitioner's *right* to an accounting *on the finding of unfair competition alone.*

The other case cited by the Court of Appeals in support of its refusal of an accounting—*Durable Toy & Novelty Corporation v. J. Chein & Company*—was a suit for trade-mark infringement, in which the Court found for defendant on the charge of infringement and dismissed the complaint. Obviously, no question as to the propriety of an accounting was considered by the Court.

The leading cases on accountings in actions for trade-mark infringement and unfair competition are those of this

(21) 179 U. S. p. 45.

Court in *Hamilton-Brown Shoe Co. v. Wolf Brothers Co.*, 240 U. S. 251, and *Mishawaka Rubber Co. v. S. S. Kresge Co.*, 316 U. S. 203. In the earlier of these cases the suit was for infringement of the trade-mark "The American Girl" for ladies' shoes, and for unfair competition in trade. *There was no proof of palming off.* The Court of Appeals held the trade-mark invalid, but awarded an accounting of profits based on a finding of unfair competition. This Court held "The American Girl" trade-mark to be valid and infringed, and directed that the accounting which had been taken for unfair competition be adopted as applicable to the finding of trade-mark infringement. The Court stated (240 U. S. at p. 259):

> "Having reached the conclusion that complainant is entitled to the use of the words 'The American Girl' as a trade-mark, it results that *it is entitled to the profits acquired by defendant* from the manifestly infringing sales under the label 'American Lady,' at least to the extent that such profits are awarded in the decree under review."

The right to an accounting of profits against *trade-mark* infringers is based on Section 19 of the Trade-Mark Act of 1905 (15 U.S.C. 99), which provides:

> "* * * the complainant *shall* be entitled to recover, in addition to the profits to be accounted for by the defendant, the damages the complainant has sustained thereby, and the Court *shall* assess the same or cause the same to be assessed under its direction. * * * and in assessing profits the plaintiff shall be required to prove defendant's sales only, defendant must prove all elements of cost which are claimed."(22)

In *Mishawaka Rubber Co. v. S. S. Kresge Co.*, 316 U. S. 203, this Court granted certiorari for the sole purpose of construing this statute. Mishawaka used as its trade-mark for rubber heels a red circular plug embedded in the heel tread. It used the mark only in connection with shoes made and sold by it. Kresge sold rubber heels for replacements, and the charge of infringement was based on the presence of a

(22) This section is reproduced in full as an appendix to this brief, at page 50.

circular red mark on the tread of the heels. *There was no finding of unfair competition.* The trial Court found trade-mark infringement, and ordered an accounting of defendant's profits made from sales "to purchasers who were induced to buy because they believed the heels to be those of plaintiff and which sales plaintiff would otherwise have made." The decree was affirmed on appeal by plaintiff, and certiorari was allowed solely to review the question as to the proper scope of the accounting.

The decree was reversed by this Court and the action remanded with instructions to take an account of profits on all infringing sales. In the opinion written by Mr. Justice Frankfurter, the Court stated (p. 206):

> "* * * Infringement and damage having been found, the Act requires the trade-mark owner to prove only the sales of articles bearing the infringing mark. Although the award of profits is designed to make the plaintiff whole for losses which the infringer has caused by taking what did not belong to him, Congress did not put upon the despoiled the burden—as often as not impossible to sustain—of showing that but for the defendant's unlawful use of the mark, particular customers would have purchased the plaintiff's goods. * * * The burden is the infringer's to prove that his infringement had no cash value in sales made by him. If he does not do so, *the profits made on sales of goods bearing the infringing mark properly belong to the owner of the mark. Hamilton-Brown Shoe Co. v. Wolf Bros. & Co.*, 240 U. S. 251, 36 S. Ct. 269, 60 L. Ed. 629."

Mishawaka used other trade-marks in connection with the trade-mark in suit, together with its address "Mishawaka, Indiana", and Kresge accompanied its red circular mark with the word "CRUSADER" in raised letters, and a crusader's head embossed in the outer face of the infringing red circle. Furthermore, it appeared that Kresge had complied promptly with Mishawaka's notice of infringement and request to desist therefrom. Only ten days after the receipt of the first notice Kresge had instructed the manufacturer of its rubber heels to

discontinue the use of the infringing mark. Nevertheless, Kresge was required to account for its profits from infringing sales unless it could prove that the infringing mark did not contribute to the sales.

In contrast to the facts presented in the Mishawaka case the present respondents, in addition to using petitioner's trade-mark as the name of their product, imitated the shape, size and color of petitioner's cartons and containers, printed petitioner's slogan "GUARANTEED DEPENDABLE" thereon, and *omitted therefrom any reference to themselves or their place of business*. And as a final step in their appropriation of petitioner's rights, respondents surreptitiously obtained petitioner's size charts and distributed them to their customers.

Respondents' Infringement Has Been Deliberate and Persistent

As early as September, 1936, respondents were notified of their infringement and requested to desist. In the same notice their attention was called to the decision of the United States District Court in *Champion Spark Plug Company v. Emener* (16 F. Supp. 816), in which the sale of repaired or reconditioned plugs under petitioner's trade-mark CHAMPION was enjoined. Respondents made no reply to this notice, and it was followed by other notices to which, likewise, no attention was paid. (See Exhibits 23 to 28, R. 473-479.)

In September, 1937, respondents' attention was called to the decisions of this Court in the *Old Dearborn* and *Pep Boys* cases (R. 477), and in August, 1943, they were notified of the final decision in the *Reich* case in which plaintiff was awarded the sum of $22,329.96 as Reich's profits from his infringing sales, and were again requested to discontinue their infringements (R. 479). Respondents ignored these notices and requests and continued to infringe after this suit was filed and until they were enjoined by the District Court.

From this it will be seen that *for a period of more than eight years* respondents have been deliberate and persistent infringers and unfair competitors with full notice throughout

that entire period that activities similar to theirs had been judicially determined to be illegal.

A more persistent and deliberate disregard of trade-marks, and of principles of fair dealing, cannot be found in any reported case. In the reported cases prior to the decision by this Court in the *Mishawaka* case the only grounds on which an accounting for trade-mark infringement had been denied were laches or lack of any theory on which more than nominal damages could be recovered. Neither of those conditions is present here. The decision by this Court in the *Mishawaka* case however, makes it clear that this Court recognized that the language of the statute makes mandatory an infringer's accounting of his profits derived from the infringement, *as well as* of the damages sustained by the trade-mark owner. Thus, even in those cases where the trade-mark owner is unable to establish calculable damage, an accounting of the infringer's *profits* nevertheless is required.

It thus becomes evident that there was neither statutory nor equitable sanction for the action of the Court of Appeals below in denying petitioner the accounting that it prayed for by its complaint in this cause.

CONCLUSION

Petitioner should be accorded injunctive relief of the character and scope determined by this Court to be appropriate and necessary in a situation such as here is presented, in its decision in *Prestonettes v. Coty*, 264 U. S. 359, as specifically outlined herein at page 16; and petitioner should be accorded an accounting and recovery of respondents' profits resulting from their infringing and unfair competitive operations, as well as of petitioner's damages occasioned thereby.

Respectfully submitted,

SAMUEL E. DARBY, JR.,
Counsel for Petitioner.

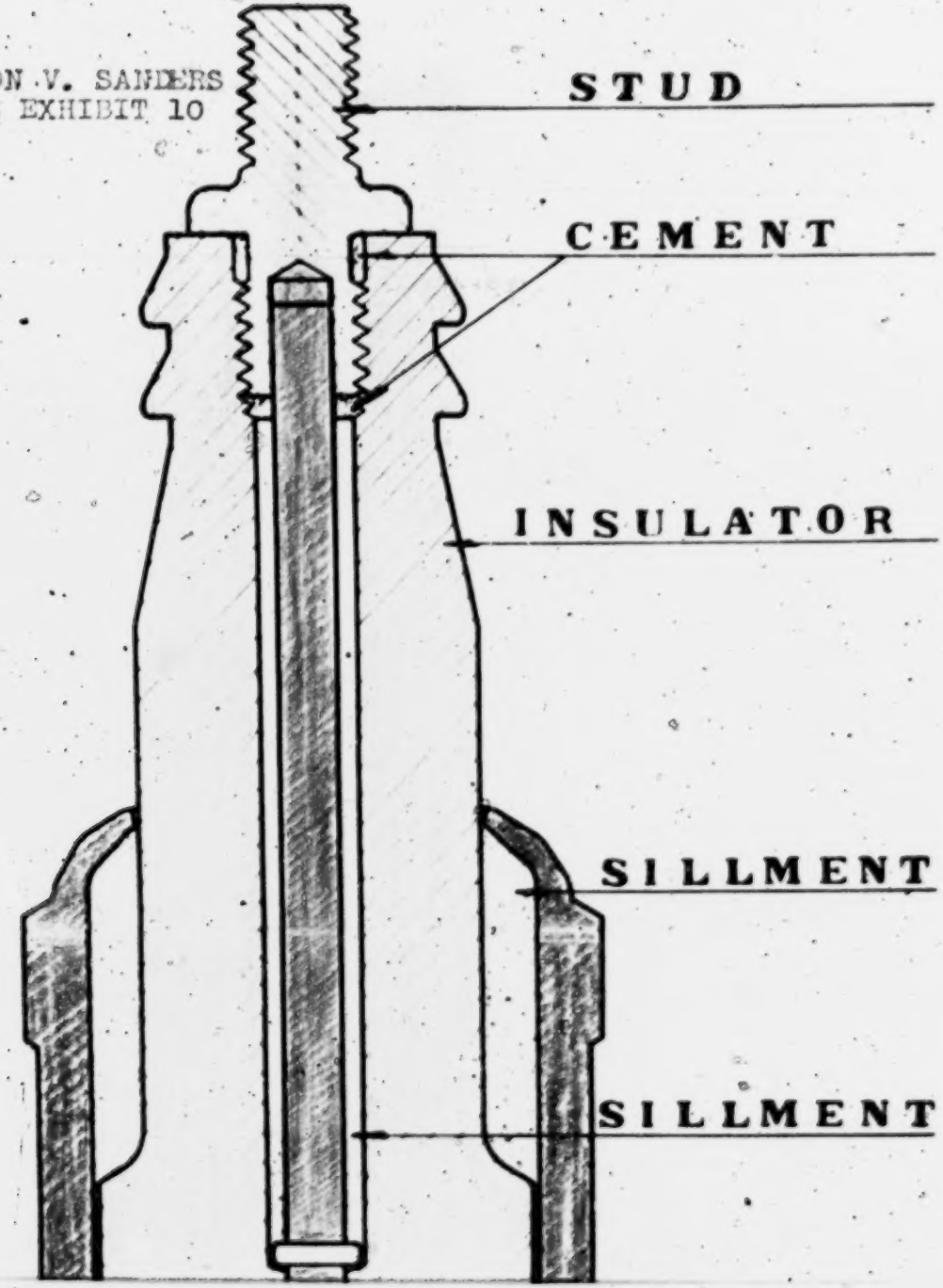
WILBER OWEN,
CARL F. SCHAFFER,
Of Counsel.

APPENDIX

§ 99. Injunctions; Recovery and Assessment of Damages.

The several courts vested with jurisdiction of cases arising under this subdivision of this chapter shall have power to grant injunctions, according to the course and principles of equity, to prevent the violation of any right of the owner of a trade-mark registered under said subdivision, on such terms as the court may deem reasonable; and upon a decree being rendered in any such case for wrongful use of a trade-mark the complainant SHALL *be entitled to recover, in addition to the profits to be accounted for by the defendant, the damages the complainant has sustained thereby, and the court* SHALL *assess the same or cause the same to be assesed under it direction.* The court shall have the same power to increase such damages, in its discretion, as is given by section 96 of this chapter for increasing damages found by verdict in actions of law; and in assessing profits the plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of cost which are claimed. Feb. 20, 1905, c. 592, § 19, 33 Stat. 729.

CHAMPION V. SANDERS
PLAINTIFF'S EXHIBIT 10



DRAWINGS SHOWING CHANGES FROM ORIGINAL DIMENSIONS FOUND TO BE PRESENT IN DEFENDANTS' PLUGS

FIRST FIGURE IN EACH ROW SHOWS FIRING END OF PLUG AS MANUFACTURED AND SOLD BY PLAINTIFF. OTHER FIGURES SHOW FIRING ENDS OF PLUGS SOLD BY DEFENDANTS AS CHAMPION PLUGS OF CORRESPONDING TYPE NUMBERS.

PLUGS SOLD AS CHAMPION H-10 PLUGS

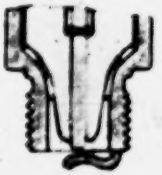
BY PLAINTIFF

New H-10

BY DEFENDANTS

(A-2)*

(A-3)

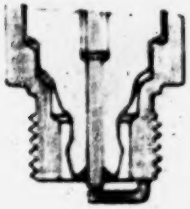


(A-7)

PLUGS SOLD AS CHAMPION No. 7 PLUGS

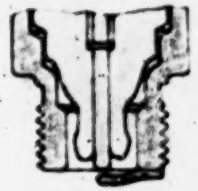
BY PLAINTIFF

New No. 7



BY DEFENDANTS

(B-4)*



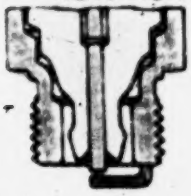
(B-7)

(B-9)

PLUGS SOLD AS CHAMPION No. 7 PLUGS

BY PLAINTIFF

New No. 7



BY DEFENDANTS

(C-3)*

(C-5)

(C-7)